

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	1-2
DISTRICT RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
<u>IRS Information Security</u>	
Backup Designated Staff Person	2
<u>CIS/ASSIST</u>	
MA-010 Reconciliation-Openings and Reopenings	3
Security Officers Log Report	3
CIS Security Codes	3-4
<u>Cash Disbursements</u>	
Sign-O-Meter Reconciliation	4
Fiscal Office	4
<u>State Car Usage</u>	
Official Daily Travel Log Preparation	5

INTRODUCTION

The Office of Internal Audit performed an audit of the Fort/Wayne District, Wayne County FIA for the period May 1, 2001 through August 15, 2002. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that Agency assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of Michigan Family Independence Agency (FIA) are being followed. The Fort/Wayne FIA had 139 full time equated positions (FTE's) at the time of our review. The Fort/Wayne District provided assistance to an average of 13,331 recipients per month during FY 2001, with total assistance payments of \$19,369,027.57 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Fort/Wayne District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS/ASSIST
Cash Disbursements	Cash Receipts
State Emergency Relief	IRS Information Security
Safe & Controlled Documents	Procurement Card
Payroll Review	State Car Usage
Employment Support Services	Medical Transportation

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Fort/Wayne District internal controls are generally adequate to provide management with reasonable assurance that assets are

safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no exceptions in the Cash Receipts, Medical Transportation, Employment Support Services, Safe & Controlled Documents, State Emergency Relief, Payroll Review or Client Processing systems. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls for the other systems included in our scope, which are detailed below.

DISTRICT RESPONSE

The management of the Fort/Wayne District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated September 20, 2002 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

IRS Information Security

Backup Designated Staff Person

1. The Fort/Wayne District did not have a backup Designated Staff Person (DSP) for safeguarding confidential information that may be received from the Internal Revenue Service (IRS), as required by Program Administrative Manual (PAM) 803. The District should have a backup DSP in case information is received on a day when the DSP is out of the office.

WE RECOMMEND that the Fort/Wayne District appoint a backup Designated Staff Person, and comply with procedures as outlined in Program Administrative Manual (PAM) 803.

CIS/ASSIST

MA-010 Reconciliation- Openings and Reopening

2. The Fort/Wayne District did not reconcile all Openings listed on the MA-010 Report to the Request and Registration Control Record (FIA-3614), as required by the Local Office Reports Description Manual. They also did not reconcile warrant rewrites as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A 100% Reconciliation of Openings and Reopening provides assurance that cases were opened by their assigned workers.

WE RECOMMEND that Fort/Wayne District reconcile all case openings and warrant re-writes on the MA-010 Report to the FIA-3614's.

Security Officers Log Report (PD-180)

3. The Fort/Wayne District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate.

WE RECOMMEND that the Fort/Wayne District reconcile the PD-180 report to revised Security Agreements.

CIS Security Codes

4. One Family Independence Manager (FIM) at the Fort/Wayne District had FIS status on the Client Information System (CIS). This status would allow the FIM to process changes to customer cases with no independent review of the transaction. In addition, one fiscal clerk had FLM status, and two other fiscal clerks had CRS status.

These status codes would allow the fiscal clerks to process changes to customer cases, and process payments to those same cases.

WE RECOMMEND that the Fort/Wayne District either change all of these individuals to inquiry only (INQ) status on CIS, or have an independent employee review all transactions processed by these individuals.

Cash Disbursements

Sign-O-Meter Reconciliation

5. The Fort/Wayne District did not properly separate the Sign-O-Meter reconciliation duties. A review of the Sign-O- Meter log for April 2002 disclosed that the check signer prepared and approved the reconciliation of the Sign-O-Meter to the check register. Accounting Manual Item 405 states that the person reconciling the Sign-O-Meter log should not be responsible for check signing.

WE RECOMMEND that the Fort/Wayne District have an independent employee perform the Sign-O-Meter reconciliation.

Fiscal Office

6. We found that the Fort/Wayne District Fiscal Office did not have a sign posted that restricted the fiscal area.

WE RECOMMEND that the Fort/Wayne District post a sign restricting access to the fiscal area to fiscal employees only.

State Car Usage

Official Daily Travel Log Preparation

7. Fort/Wayne District staff did not accurately prepare the Official Daily Travel Log (MTD-10) for two State Cars for the months of April, May, and June 2002. These logs did not have the signature of the authorized agent, as required by Administrative Handbook Manual Item 811. Accurately completing the MTD-10 will provide documentation that miles traveled were for approved business purposes.

WE RECOMMEND that the Fort/Wayne District require the driver's supervisor or another authorized individual to approve and sign the MTD-10.